



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 22, 2010

TO: Mayor and Councilmembers

FROM: City Administrator's Office

SUBJECT: Fiscal Year 2011 Unpaid Furlough And Related Labor Agreement Updates (Managers, Supervisors, And General Employees)

RECOMMENDATION: That Council:

- A. Introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Amending the 2008-2010 Memorandum of Understanding Between the City of Santa Barbara and the Santa Barbara City Employees' Association (General Unit) to Extend the Term of the Agreement through September 30, 2011 and Include a Supplemental Agreement Regarding Furlough and Other Layoff Avoidance Measures for Fiscal Year 2011;
- B. Authorize the City Administrator to implement salary and benefit reductions for Supervisors at a level lower than that provided under the applicable labor agreement, pending the outcome of negotiations with the Santa Barbara Police Officers' Association; and
- C. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara Declaring a Mandatory Unpaid Furlough for City Employees During Fiscal Year 2010-2011 and Approving a General Furlough Closure Schedule for Certain City Offices.

DISCUSSION:

Background

Facing a serious budget shortfall for Fiscal Year 2010, the City and various labor organizations and employee groups agreed to one-time labor concessions in order to minimize the depths of immediate cuts to the organization and services that would otherwise have been necessary. The General employees, confidential employees, Supervisors and unrepresented managers (except Fire Battalion Chiefs) all took 104 hours of time off without pay (a 5% salary reduction) and their vacation cash-out benefit was suspended in Fiscal Year 2010.

Further deterioration in revenues during Fiscal Year 2010, as well as the exhaustion of certain one-time monies used to balance the Fiscal Year 2010 budget, created a \$8.9 million budget shortfall for Fiscal Year 2011. As a result, the City again approached labor organizations to ask for concessions to help balance the Fiscal Year 2011 budget.

One-time labor concessions are not a permanent solution to budget problems, but they do allow more time for the City to transition to a smaller organization in a thoughtful and strategic fashion, and to minimize the need for layoffs by achieving staffing reductions through normal attrition.

SEIU Agreement

This action will add a supplemental agreement to the MOU with the General Employees bargaining unit, represented by S.E.I.U., local 620 (SEIU) extending the term of that agreement by one year, through September 30, 2011, and allowing the City to implement 116.5 hours of furlough time off without pay (12.5 hours more than the current fiscal year) and suspend the existing vacation cash out provisions during Fiscal Year 2011. The agreement becomes effective upon the adoption by the City Council of a budget that restores 21 position eliminations and other employee displacements that were contained in the proposed budget submitted in April 2010.

The agreement is expected to have been ratified by the SEIU membership by June 22, 2010. The budget proposed for adoption will contain the restoration of those positions necessary to trigger the furlough and suspend the vacation cash out under the agreement with SEIU. As is traditional, staff recommends that the salary and benefit changes under this agreement also be applied to the City's confidential employees.

Supervisors

In March 2010, the Supervisory Employee Association agreed to take up to 10% in labor concessions in Fiscal Year 2011 as follows:

-One-time/temporary concessions:

- A 6.5% unpaid furlough in Fiscal Year 2011, and
- Suspension of the vacation cash out benefit in Fiscal Year 2011.

-Ongoing/permanent concessions:

- Permanent relinquishment of the negotiated 1.5% salary increase members were scheduled to receive in April, for Fiscal Year 2010, and
- A permanent reduction of \$95 per month to the cafeteria plan allowance.

The agreement contains an equity ("me too") clause which reduces the required labor concessions retroactively if the City ultimately agrees to a significantly lesser percent of labor concessions with the Police Union. The equity clause anticipated that Police negotiations might not be concluded by the effective dates of the Fiscal Year 2011 budget concessions. It provided that, in this event, the full 10% in concessions would go into effect, and be adjusted retroactively once agreement was reached with the Police

Union. However, the current proposal to the Police Union from the City, as of the date of this report, is for 7% in concessions. It is, therefore, highly unlikely that the Supervisors' concession will ultimately be more than 7%. Furthermore, the recent agreement with SEIU for only one-time concessions, together with the Police Union's resistance to ongoing concessions, creates the possibility that all concessions will be one-time.

Given that, it does not make sense to begin deductions at the higher 10% level, only to have to refund these deductions later. Staff recommends implementing deductions at the 7% one-time concessions level instead. It will be implemented as a 6% furlough and suspension of the vacation cash out benefit in Fiscal Year 2011. There will be no ongoing concessions initially (i.e., salary increase of 1.5% will be reinstated and cafeteria plan reduction will not occur). If, ultimately, the City settles with the Police Union for lesser (or greater) concessions, or for ongoing concessions, Supervisor concessions will be adjusted retroactively at that time

Unrepresented Managers

In March of 2009, Council also gave the City Administrator the ability to implement up to a 5% furlough for unrepresented management employees in Fiscal Year 2010 and Fiscal Year 2011, and to suspend the vacation cash-out benefit. In April 2010, Council approved a recommended cancellation of manager's Fiscal Year 2010 salary increases. Unrepresented managers have been asked to make concessions as follows:

Affected Managers	Concession type	Salary equivalent
All	No vacation Cash Out	-2.26%
Non-safety	5% Furlough	-5.0%
	Gave up April 2010 salary increase	-1.5%
Unrepresented Safety (not Fire Batt. Chiefs)	3.5% furlough	-3.5%
	Gave up April 2010 salary increase	-3.0%

The following management wage and benefit levels will need to be determined:

- Unrepresented Fire Battalion Chiefs' compensation will be presented in a separate report next week, and
- Police Management Association managers will depend on the outcome of active labor negotiations.

Furlough

As provided under the agreements with the General Unit and the Supervisors, Council may trigger a furlough through the adoption of a Resolution declaring that a reduction in workforce is necessary for economic reasons and that a mandatory unpaid work furlough should be implemented.

The Resolution also sets forth the furlough plan applicable to managers in Fiscal Year 2011, including the City Administrator and the City Attorney.

The furlough plans for General employees and Supervisors are contained in their labor agreements.

General Furlough Closure Schedule

A closure of offices to the public is the most effective way to absorb the unpaid furlough time off and to minimize its effect on operations during the remainder of the year. Staff recommends that a General Furlough Closure occur on the following dates:

- During the two weeks of the Christmas and New Year's holidays -- this is generally a period with a low level of public contact with most City offices;
- On the Wednesday before the Thanksgiving holiday -- this has also historically been a day with a low level of public contact; and
- On two additional eight-hour Fridays spread throughout the year.

The total number of furlough closure days under the General Furlough Closure in Fiscal Year 2010 was twelve. This year, at the request of Council, only ten closure dates will occur. A list of some of the specific anticipated office closure dates is attached to the Resolution. The first closure date would be July 2, 2010.

The City's police and fire safety services will continue to operate as usual, and 9-1-1 and other emergency services will not be interrupted by the City Furlough Program. Some other offices will remain open for all or part of the General Furlough Closure. This will include making special arrangements for some services to the public to continue during the furlough closure periods, such as utility payments and building inspections.

Having each General employee work 12.5 fewer hours than in Fiscal Year 2010, and with fewer closure dates, will necessarily have some impact on service delivery. Staff will continue to make every effort to mitigate these impacts.

BUDGET/FINANCIAL INFORMATION:

The concessions discussed above are expected to save the City the following:

Employee Group	City Wide FY 2011	General Fund FY 2011
SEIU General Unit	\$1,954,065	\$941,806
Confidential Employees	\$169,919	\$119,671
Unrepresented Non-safety Managers	\$848,191	\$589,631
Police and Fire Chiefs and Deputy Chiefs	\$47,953	\$47,353
Total	\$3,020,128	\$1,698,461

If implemented at the full 10% level, concessions under the Supervisors agreement would have generated \$889,983 in labor cost savings Citywide in Fiscal Year 2011, with \$430,242 of these savings accruing to the General Fund. If implemented at the 7% level, as recommended here, concessions under the Supervisors agreement would generate approximately:

Employee Group	City Wide FY 2011	General Fund FY 2011
Supervisors	\$624,454	\$301,288
Confidential Supervisors	\$14,733	14,733
Total	\$639,187	\$316,021

This is the savings that will be included in the recommended budget. Actual budget savings under this agreement will not be able to be determined until negotiations with the Police Union are complete.

Total salary and benefit concession savings to be added to the Fiscal Year 2011 budget, therefore, will be **\$3,659,315** City Wide and **\$2,014,482** in the General Fund.

SUSTAINABILITY IMPACT:

Closing City Offices for the General Furlough Closure dates reduces facility energy consumption for ten days per year. Employee commute emissions will also potentially be reduced.

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